1. Mayor's Report

It is indeed a defining moment for us as council of this municipality, as we have travelled four years. This document is collectively owned by council as it is a result of our ideas and inputs of those communities we serve (which are the Intergraded Development Plan). We say this Honourable Speaker because we have all contributed into shaping and allocation of funds to the critical issues facing Dannhauser Municipality.

Honourable Speaker, I am humbled by the fact that despite all the financial constrains this municipality is facing, this municipality has been able allocate funds to essential needs of our people.

I believe, Honourable Speaker that this institution has the capacity and expertise to achieve even greater things as we have received Clean Audit Report. It was through hard work by the council and officials.

Honourable Speaker and members of council, I need to point out that as we prepare and put this budget together, we were mindful of the fact that the municipality does not exist in isolation or somewhere in space so it will always be influenced by what happens globally, nationally provincially and of course regionally.

What we table here before you, Honourable Speaker and members of this house, is indeed informed by all these trends mentioned above and the priorities our government has put before us but most importantly what our people out there have been yearning for, which have been summed up into five (5) priorities of Government at both national and provincial level. Government has committed itself to make a difference in the lives of people by addressing five key priority areas. They are education, fighting crime and corruption, health, employment and rural development.

But realistically, we are influenced by the priorities raised by our own communities when we engaged them through the IDP consultative meetings and the reality that faces us daily that of acute shortage of basic needs like water.

We are also reminded that this budget should not just be a wish list but is constitutional and regulatory mandate as per the Constitution of the Republic of South Africa.

Developmental duties of municipalities - s 153

A municipality must:

- Structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and
- Participate in national and provincial development programmes.

2. Council Resolution

The Council of Dannhauser Local Municipality met on 26 May 2015 in the Council Chamber to consider the annual budget of the municipality for the financial year 2015/16 and the two outer years. The Council approved and adopted the following resolutions, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003):

1.1 The annual budget of the municipality for the financial year 2015/16 and the multiyear and single-year capital appropriations as set out in the following tables:
  1.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2
  1.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3
  1.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4
  1.1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5

1.2 The cash flow budget, cash-backed reserve/accumulated surplus and asset management are approved as set out in the following tables
  1.2.1. Budgeted Cash Flows as contained in Table A7
  1.2.2 Asset management as contained in Table A9

1.3 The Council of Dannhauser Local Municipality , acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs as set out in
  1.3.1 the tariffs for property rates
  1.3.2 And other service charges

1.4 The Council of Dannhauser Local Municipality approves the 2015/16 revised IDP

3 Executive Summary

This Medium Term Revenue and Expenditure Framework budget has been compiled having to strike a balance between the tight financial constraints and cash flows against the competing priorities of the communities the municipality is serving. The tight balance is intended to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Reference was made to the following documents when compiling this budget

- National Treasury MFMA Budget Circulars 74 & 75
- Municipal Budget and Reporting Regulations
- The Municipal Finance Management Act;

- The 2015/16 Division of Revenue Bill allocations

The outstanding debt for consumer services has been a challenge to the municipality. In 2014/15 financial year the municipality embarked on data cleansing exercise an incentive strategy to reduce the outstanding debt owed by consumers, The main challenges experienced during the compilation of the 2015/16 MTREF are as follows:

- Outstanding consumer debt which stood at approximately R 15 million as at 30 April 2015. This has a negative impact on the cash flows of the municipality
- Affordability of capital projects – due to the squeezed cash flows, the municipality needs to get out of the trap of relying primarily on national government conditional grants for infrastructure development and for addressing backlogs

The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations
  Contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 annual budget
- Activities, projects and programmes in the 2015/16 revised IDP, funds allocated to service delivery projects rather than “nice to haves”
- Project selection based on revenue generation capability rather than non- revenue generation, taking into cognisance contribution of projects to social welfare of the communities
- Compliance with laws and regulations

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework.

Consolidated overview of 2015/2016 Final Budget and MTREF

		MTREF		
Description	**Adjusted 2014/2015**	**Budget 2015/2016**	**Budget 2016/2017**	**Budget 2017/2018**
Total Revenue	148 932 023	134 564 003	129 402 982	124 923 086
Total Operating Exependiture	70 361 703	87 784 579	92 857 095	98 074 288
Total Capital Expenditure	78 561 955	46 728 575	36 528 080	26 746 554
Total Budget	**148 923 658**	**134 513 153**	**129 385 175**	**124 820 842**
Surplus/Deficit	-8 365	**-50 850**	-17 807	-102 243

Total revenue including grants decreased by 10.7 per cent or R 14 million for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue decreased by 0.3 % and 5.6 per cent increase in 2017/18.

The total expenditure for 2015/16 financial year has been appropriated at R 134 million which includes capital projects R 46 million. On Operating Budget for 2015/16, there is a surplus of R 20 million which will fund capital expenditure. When you compare the 2014/15 Adjustment budget of R 148 million with R 134 million for 2015/16 expenditures, you find a decrease of R 14 million.

There is a decrease on Capital projects of 31.8 million, 68 per cent, as a result of grants which were received in 2014/15.

Operating Revenue

For Dannhauser municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with poverty, unemployment. There will inevitably always be a gap between the available funding and the expenditure required to address these challenges; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The following table is a summary of the 2015/16 MTREF

KZN254 Dannhauser - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	8 154	8 693	11 667	9 519	9 519	9 519	–	10 080	10 674	11 264
Property rates - penalties & collection charges					160						
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	755	826	852	926	926	926	–	980	1 037	1 094
Service charges - other											
Rental of facilities and equipment		104	128	164	118	176	176		120	126	195
Interest earned - external investments		1 084		1 410	1 610	845	845		895	943	994
Interest earned - outstanding debtors											
Dividends received											
Fines		157	282	475	701	159	159		169	178	187
Licences and permits		1 156	1 211	1 437	1 620	1 141	1 141		1 211	1 277	1 346
Agency services											
Transfers recognised - operational		47 846	71 908	78 399	64 513	64 513	64 513		78 634	77 657	75 628
Other revenue	2	436	566	8 597	15 982	18 552	18 552	–	18 795	13 267	14 130
Gains on disposal of PPE				127							
Total Revenue (excluding capital transfers and contributions)		59 692	83 614	103 129	95 149	95 831	95 831	–	110 885	105 161	104 839

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. For 2015/16, rates and service charge revenues comprise 30 per cent of the total revenue mix.

Operating transfer and grants

KZN254 Dannhauser - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		–	–	–	63 302	63 302	63 302	77 911	76 923	74 854
Local Government Equitable Share					60 118	60 118	60 118	74 181	74 141	71 921
Finance Management					1 250	1 250	1 250	1 800	1 825	1 900
Municipal Systems Improvement					934	934	934	930	957	1 033
EPWP Incentive					1 000	1 000	1 000	1 000		
						–	–	–	–	
Other transfers/grants [insert description]										
Provincial Government:		–	–	–	661	661	661	723	734	774
library provincialisation					126	126	126	170	140	148
community library services					535	535	535	553	594	626

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Operating grants and transfers are the largest revenue source totalling R 78.6 million or 70.9 percent of operating revenue in 2015/16. This revenue source comprises of operating grants such as equitable share, Finance Management Grant (FMG) and Municipal Systems Improvement Grant (MSIG)

Property rates are just 9.09 per cent of operating revenue, R 9.5 million in 2014/15 and increases to R 10.08 million 2015/16. Tariff-setting is a pivotal and strategic part of compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs, indigent levels and the, affordability of services were taken into account to ensure the financial sustainability of the municipality.

Operating Expenditure framework

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure)

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Employee costs	20 872	17 754	16 247	28 242	24 558	24 558	–	29 429	29 750	31 658
Remuneration of councillors	4 344	4 357	6 478	4 731	4 731	4 731	–	7 413	7 835	8 267
Depreciation & asset impairment	22 856	22 718	25 305	2 000	2 000	2 000	–	5 000	5 290	5 581
Finance charges	–	–	–	–	–	–	–	–	–	–
Materials and bulk purchases	–	–	5 020	4 329	5 127	5 127	–	6 685	7 072	7 461
Transfers and grants	11 182	3 317	684	–	–	–	–	–	–	–
Other expenditure	36 811	28 245	67 143	28 279	30 254	30 254	–	37 258	39 349	41 335

Total Expenditure	96 064	76 391	120 877	67 581	66 671	66 671	–	85 785	89 296	94 302

The budgeted allocation for employee related costs for the 2015/15 financial year totals R29.4 million, which equals 33.0 per cent of the total operating expenditure. In this budget, Council of Dannhauser makes a provision of 6.79 per cent increase to give itself a room to manoeuvre in case of an increase higher than 5.0 per cent. Provision for depreciation and asset impairment has been informed by affordability and collection rate of the municipality.

Other expenditure comprises of various line items relating to the daily operations of the municipality such as fuel, office supplies, electrical supplies and is also significant at around 29 per cent of the budget. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Other materials represent our repairs and maintenance, which is 5 per cent of the budget.

Free basic Services

The social package assists households that are poor, unemployed or face other socioeconomic circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. A household qualifies as indigent should the total combined income of that household be R2 500.00 or less per month. The municipality recently embarked on a programme of creating awareness and registering indigents, as well as updating the indigent register. At the time of compiling this budget, the registered number of indigent households amounts to 98 . The municipality has budgeted 2 million for free basic electricity (855, number of households).

Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by municipal vote.

KZN254 Dannhauser - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - Executive and Council		–	–	–	500	3 000	3 000	–	750	789	663
Vote 2 - Corporate Services		230 959	–	–	47 207	72 525	72 525	–	912	962	1 014
Vote 3 - Budget & Treasury Office		843	–	–	445	654	654	–	193	204	216
Vote 4 - Technical Services		–	–	–	–	–	–	–	42 032	35 747	26 094
Vote 5 - Community Services		56	–	–	7	4	4	–	1 990	201	211
Vote 6 - Protection Services		1 166	–	–	600	210	210	–	852	741	781
Vote 7 - IDP		–	–	–	473	450	450	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	233 024	–	–	49 231	76 842	76 842	–	46 729	38 644	28 979

For 2015/16 an amount of R 42 million has been appropriated for the development of infrastructure which represents 89.9 per cent of the total capital budget. These projects are located in the Technical Services Department. Executive and Council & IDP are the third highest allocation of R 1.6 million in 2015/16 which equates to 3 per cent.

Some of the projects to be undertaken in 2015/16 financial year, amongst others

- Water mitigation project R 2 million
- Road-Internal R 7 million
- Mast Lights R 800 000.00
- Acquisition of Land R 4.2 million
- New Offices R 3 million
- Electrification R 8 million
- Community Hall R 4 million
- Rural Roads R 1 million
- Testing Ground R 9.2 million
- Child Care Facility R 400 000.00

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Honourable J Phakathi